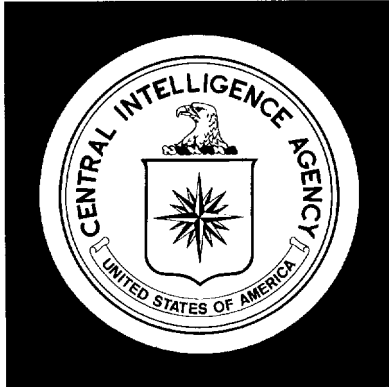


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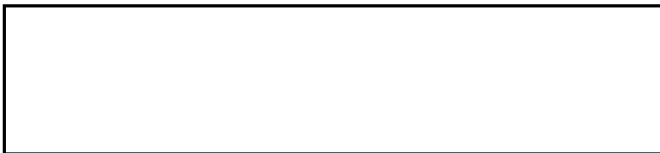
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FORCE REDUCTIONS: Representatives of NATO and Warsaw Pact countries have agreed on MBFR participation and procedures and a title for the negotiations, but will conclude the preparatory phase without having defined an agenda.

The final communiqué being issued today in Vienna schedules negotiations for 30 October in Vienna on "mutual reduction of forces and armaments and associated measures in Central Europe." The communiqué records East-West compromises on three major questions: participation and procedures; a title; and an agenda. The procedural arrangements worked out for the preparatory talks will also govern the negotiations. This means that 11 of the 19 delegations will make the necessary decisions, while all will be able to circulate papers and participate equally in discussions. It also means that the agreement to disagree on the status of Hungary will be carried over to the negotiations.

The West had to abandon reference to the term "balanced" in the title of the talks and anywhere in the communiqué. The Soviet representatives successfully argued that they understood all too well that, to NATO, "balanced" troop cuts mean a larger reduction of Warsaw Pact than of NATO forces. Western negotiators nevertheless gained Soviet agreement that the talks would consider "associated measures." This reflects the allies' desire--previously opposed by the Soviets--for a variety of constraints on troop movements and activities in conjunction with reductions. The allied negotiators also got wordage into the communiqué partially endorsing the cautious "phased" approach to the negotiations advocated by the West Germans.

Possibly the most important feature of the communiqué is its failure to detail a specific agenda for the negotiations. The Western allies

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had decided that they would not be able to win Soviet acceptance of many specific items in the Western agenda proposals. The Soviets wanted the agenda simply to say that negotiations would deal with reduction of forces and armaments in Central Europe, and that working groups would be required during the negotiations. The final communiqué incorporates these unexceptionable Soviet concepts, but reserves the right of any direct participant to add relevant questions to be negotiated.

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THAILAND: Student agitation in Bangkok is rising, and the government may soon be forced to take harsh measures.

Student demonstrations were held last week protesting the dismissal of nine university students for publishing an article indirectly critical of the government. Government security officials closed all Bangkok universities and put the army and police on full alert. The situation was temporarily defused by Prime Minister Thanom's agreement to review the expulsion order.

At last report, however, student leaders are planning to hold further large-scale demonstrations in the next few days--to include a mock execution of Thanom and Deputy Prime Minister Praphat. Privately, the student leaders have claimed that the real target of their efforts is the Thanom government. While under no illusion as to their ability to bring down the government, they are prepared to continue their efforts and expect that some of their number will be arrested.

This year is the first time that Thai university students have resorted to mass action in an effort to wring concessions from the regime. The students have been remarkably successful in some of their earlier antigovernment actions, largely because they confined themselves to issues on which the government could compromise without feeling threatened. This time, however, Thanom has already served public notice that he will move quickly and forcefully against them--particularly if they should carry out their long-standing threat to protest the presence of US air bases in Thailand. The student movement would be seriously undercut by the arrest of a handful of key student leaders. [REDACTED]

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URUGUAY: President Bordaberry and the military have moved to block criticism of their dissolution of Congress. The right of public assembly without prior authorization has been set aside, and the media have been forbidden to criticize executive actions or ascribe dictatorial powers to the president.

Uruguay's strongest labor confederation, the National Convention of Workers, has called its members out on strike to protest the closing of Congress, but there is some disagreement among the leaders as to whether the strike should last 24 hours or indefinitely. The government is reportedly prepared to grant workers a 50-percent wage increase, which could soften labor's opposition. A school holiday until 20 July has already been declared, to minimize the prospect of student demonstrations.

To make the closing of Congress more palatable, civilians are to have as many seats as the military on the council of state that is to replace the legislature. In spite of this, the real power will clearly rest with the armed forces. [REDACTED]

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EC: The EC Council this week adopted its approach to the forthcoming multilateral trade negotiations. This forms the framework for the council to issue specific mandates to guide the commission at each stage of the negotiations.

The EC position establishes a vague link between trade negotiations and international monetary reform; the EC's final trade position will "take into account" progress on monetary reform. The community is prepared to negotiate substantial tariff reduction, but generally not tariff elimination. Moreover, the EC is reviving the issue of tariff harmonization, which gave rise to considerable difficulty in the Kennedy Round of tariff negotiations. The EC reserves the right to raise as well as lower duties. The community specifically will reject tariff concessions as a remedy for the balance-of-payments problems of other countries.

The approach to agricultural negotiations offers little hope for concessions beneficial to the US. The principles and mechanisms of the Common Agricultural Policy will not be negotiable. In addition, the community's aim is to develop and stabilize world agricultural trade, largely through international agreements on products such as cereals, rice, sugar, and some dairy products. If world markets are stabilized, the variable levy system applied under the CAP could be modified, perhaps through less frequent levy adjustments.

The EC approach apparently sets no specific objectives on non-tariff barriers, but only refers to work being carried out under the General Agreement on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development. The community favors better application of existing GATT safeguards against disruptive imports rather than a new mechanism.



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JAPAN-CHINA: Japan's trade with China is increasing rapidly and should continue to expand as a result of recent sales of whole plants to Peking. Trade between the two countries reached a new high during the first quarter of this year. Japan's exports to China were 23 percent above the first quarter of last year, led by increased shipments of steel products and machinery. Imports from China were up 38 percent, due to sharp increases in purchases of foodstuffs, coking coal, and clothing. Tokyo expects total trade with Peking to reach \$1.7 billion this year, compared with \$1.1 billion in 1972. Since last December, China has purchased seven complete petrochemical plants from Japan valued at \$237 million, and negotiations are now under way for sale of a \$40-million steel mill to China. Delivery of these plants should begin late this year. [REDACTED]

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BANGLADESH: The foodgrain situation is satisfactory, and there is no cause for undue anxiety. This is the opinion of the director of the UN Relief Operations in Bangladesh, who cautioned, however, that the situation required "continued vigilance." There are no longer any bottlenecks in the unloading and distribution of imported foodstuffs, the rice crop to be harvested in late summer is likely to be above normal, and the only problem facing the UN mission is the handling of unusually large foodgrain imports scheduled for the early fall. Rice prices in Bangladesh have been edging downward since late April. Nevertheless, there is still a chance that severe food shortages could develop before the major rice harvest that begins in November if new bottlenecks develop with foodgrain imports or if the current monsoon provides either too much or too little rainfall for the late summer harvest. [REDACTED]

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